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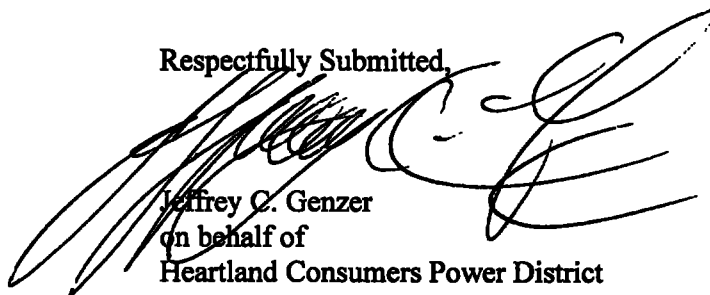
Part of
Public Record

Re: Petition for Rulemaking to Adopt Revised Competitive Switching Rules of the
National Industrial Transportation League; Ex Parte No. 711

Dear Ms. Brown,

On behalf of Heartland Consumers Power District, I am e-filing this reply to the
National Industrial Transportation League's Petition for Rulemaking to Adopt Revised
Competitive Switching Rules, Ex Parte No. 711.

Respectfully Submitted,



Jeffrey C. Genzer
on behalf of
Heartland Consumers Power District

cc: Mike McDowell
Service List

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Ex Parte No. 711

**PETITION FOR RULEMAKING OF THE NATIONAL INDUSTRIAL TRANSPORTATION
LEAGUE**

**REPLY OF
HEARTLAND CONSUMERS POWER DISTRICT**

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Dated: July 27, 2011

REPLY OF HEARTLAND CONSUMERS POWER DISTRICT

Heartland Consumers Power District ("Heartland") hereby submits its Reply to the Petition for Rulemaking to Adopt Revised Competitive Switching Rules ("Petition") filed herein by the National Industrial Transportation League ("League").

Interest of Heartland

Heartland is a public corporation and political subdivision of the state of South Dakota, headquartered in Madison, South Dakota, that provides energy to customers in South Dakota, Minnesota, and Iowa. As a public power utility, Heartland strives to supply its customers — municipalities, state agencies, and one electric cooperative — with low-cost and reliable power, as well as energy efficiency and community development programs. To do so, Heartland commands a diverse power supply portfolio that includes coal, hydroelectric, nuclear, energy efficiency and wind resources.

Heartland's baseload resources include coal-fired generation from Laramie River Station near Wheatland, Wyoming and the Whelan Energy Center Unit 2 near Hastings, Nebraska. Other resources include nuclear power generated at Cooper Nuclear Station near Brownville, Nebraska, renewable energy from the Wessington Springs Wind Energy Center near Wessington Springs, South Dakota, and peaking sources located in Heartland's customer communities.

Dependable and low-cost, the Laramie River Station ("LRS") has been Heartland's primary source of power and energy for our customers since 1980. LRS is a three-unit, 1,702 MW coal-fired generating station located near Wheatland, Wyoming, and is one of the most reliable and environmentally-compliant coal-fired resources in the nation. LRS was constructed as part of the Missouri Basin Power Project ("MBPP"), a project that is owned by a group of six regional, consumer-owned electric utilities.

Of note, Heartland's coal-fired generation facilities rely on the national freight rail system for coal shipments. The LRS, Heartland's primary source of power for its customers, receives coal via only one Class I railroad. The Petition's Competitive Switching Rules would potentially provide the LRS and other similarly situated facilities with access to a second rail carrier and, thus, increase competition among rail carriers. This increased competition would, in turn, lower the transportation costs incurred by Heartland and other utilities, allowing them to potentially reduce their customers' rates. Consequently, both Heartland and the communities that it serves stand to benefit from the Competitive Switching Rules advanced by the League's Petition. A similar ripple effect would, in addition, likely occur across other industries.

Argument in Support of the League's Petition

Heartland strongly supports and encourages the Board to grant the League's Petition. The Petition offers the Board a pragmatic means of resolving the inconsistency between the existing reciprocal switching rules and the overarching regulatory regime governing the national freight rail system. The overarching regime presumes competition is occurring. However, the current reciprocal switching rules discourage competition, as evidenced by the absence of a single filing requesting reciprocal switching in the past fifteen years. The Competitive Switching Rules proposed by the League's Petition would help resolve this failure by facilitating access to reciprocal switching.

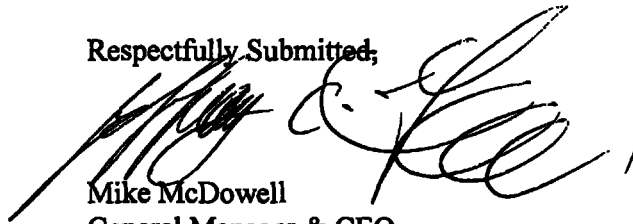
Moreover, the Competitive Switching Rules are balanced and, hence, fair to rail carriers. For instance, they would allow rail carriers to defeat an application for switching by showing that a proposed switch is neither feasible nor safe. There is very little doubt that there is a lack of competition in the freight rail industry and that captive rail customers are paying excessive rates. *See, e.g.,* U.S. Government Accountability Office, Report to Congressional Requesters,

"FREIGHT RAILROADS: Industry Health Has Improved, but Concerns about Competition and Capacity Should Be Addressed," Report #GAO-07-94 (October 2006) at 43. Finally, as the League's Petition notes, the implementation of similar rules in Canada did not excessively harm rail carriers there.

Conclusion

Heartland advises the Board to grant the League's Petition. In doing so, the Board could ultimately improve competition in the railroad industry.

Respectfully Submitted,



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CERTIFICATE OF VERIFICATION

I, Theju Prasad, certify and declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this pleading. Executed on July 27, 2011.

/s/ Theju Prasad
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CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of July, 2011 I have served all parties of record in this proceeding with this document by United States mail.

/s/ Theju Prasad
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